



CARMEL TOWNSHIP

Eaton County
At The Corner of Kalamo Highway
and Battle Creek Road

Carmel Township Board

Steve Capps, Supervisor
Darlene Raymer, Clerk
James Dillon, Treasurer

Gary Isham, Trustee
Debbie Nielsen, Trustee

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|------------------------------|--------------------------------------|-----------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Carmel Township | County Eaton |
| Fiscal Year End March 31, 2006 | Opinion Date June 8, 2006 | Date Audit Report Submitted to State | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

^S
W _Y ^O
Z Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Richard L. Baldermann, CPA | | Telephone Number 517-655-4772 | |
| Street Address 1197 Wild Cherry Drive | | City Williamston | State MI |
| | | Zip 48895 | |
| Authorizing CPA Signature  | | Printed Name Richard L. Baldermann, CPA | License Number 1101011385 |

**Carmel Township
March 31, 2006
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Richard L. Baldermann

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INDEPENDENT AUDITOR'S REPORT

June 8, 2006

Carmel Township Board
1959 W. Kalamo Hwy
Charlotte, Michigan

Dear Board Members:

I was engaged to audit the accompanying basic financial statements of Carmel Township as of March 31, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Carmel Township's management.

Carmel Township's control procedures over receipts and banking were not operational during the fiscal year ended March 31, 2006. As a result, control procedures over receipts and banking cannot be relied upon to meet the following financial statement assertions for receipts: 1) Completeness of receipt transactions; 2) Proper measurement of revenue; and 3) Proper classification, description, and disclosure of revenue. The Township's records do not permit the application of other auditing procedures to receipts and banking.

Since the Township did not maintain adequate controls over receipting and banking and I was not able to apply other auditing procedures to satisfy myself as to completeness of receipt transactions, proper measurement of revenue and proper classification, description and disclosure of revenue, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on these financial statements.

Richard L. Baldermann, CPA

Carmel Township
Balance Sheet - Statement of Net Assets
Modified Cash Basis
March 31, 2006

Exhibit 1

| | Balance Sheet Modified Cash Basis | Adjustments | Statement of Net Assets - Modified Cash Basis |
|---|---|--------------------|--|
| Assets | | | |
| Cash and Cash Equivalents | \$ 991,458 | | \$ 991,458 |
| Due From Tax Collection Fund | 86,654 | | 86,654 |
| Total assets | <u>\$ 1,078,112</u> | <u>-</u> | <u>1,078,112</u> |
| Liabilities | | | |
| Due to Tax Collection Fund | 4,426 | | 4,426 |
| Due to Federal Government | 2,541 | | 2,541 |
| Total liabilities | <u>6,967</u> | | <u>6,967</u> |
| Fund Balances - Unreserved | <u>1,071,145</u> | <u>(1,071,145)</u> | |
| Total liabilities and fund balance | <u>\$ 1,078,112</u> | | |
| Net Assets | | | |
| Unrestricted | | <u>1,071,145</u> | <u>1,071,145</u> |
| Total net assets | | <u>\$ -</u> | <u>\$ 1,071,145</u> |

The Notes to Financial Statements are an Integral Part of this Statement.

Carmel Township
Government Wide Statement of Activities
Modified Cash Basis
For the Year Ended March 31, 2006

Exhibit 2

| Functions/Programs | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | |
|----------------------------------|-------------------|-------------------------|--|---------------------|
| | Expenses | Charges for Services | Primary Government | |
| | | | Governmental Activities | Total |
| Primary Government | | | | |
| General Government | \$ 81,581 | \$ 18,716 | \$ (62,865) | \$ (62,865) |
| Public Safety | 29,605 | | (29,605) | (29,605) |
| Public Works | 67,392 | | (67,392) | (67,392) |
| Health and Welfare | 3,159 | | (3,159) | (3,159) |
| Recreation and Culture | 10,222 | | (10,222) | (10,222) |
| Other Functions | 12,372 | | (12,372) | (12,372) |
| Total Governmental Activities | 204,331 | 18,716 | (185,616) | (185,616) |
| Total Primary Government | <u>\$ 204,331</u> | <u>\$ 18,716</u> | <u>(185,616)</u> | <u>(185,616)</u> |
| General Revenues | | | | |
| Property Taxes | | | 84,724 | 84,724 |
| State Grants | | | 179,978 | 179,978 |
| Unrestricted Investment Earnings | | | 25,911.40 | 25,911 |
| Miscellaneous | | | 46 | 46 |
| Total General Revenues | | | 290,660 | 290,660 |
| Change in Net Assets | | | 105,044 | 105,044 |
| Net Assets—Beginning | | | 966,100.98 | 966,101 |
| Net Assets—Ending | | | <u>\$ 1,071,145</u> | <u>\$ 1,071,145</u> |

The Notes to Financial Statements are an integral part of this statement.

Carmel Township
Statement of Revenues, Expenditures, and Changes in Fund Balance
Modified Cash Basis-Governmental Funds
For the Year Ended March 31, 2006

Exhibit 3

| | General Fund | Building Fund | Total Governmental Funds |
|--|-------------------|-------------------|--------------------------------|
| Revenue | | | |
| Taxes | \$ 84,724 | | \$ 84,724 |
| Licenses and Permits | 46 | | 46 |
| State Grants | 179,978 | | 179,978 |
| Interest and Rentals | 25,661 | \$ 250 | 25,911 |
| Charges for Services | 18,716 | | 18,716 |
| Total Revenue | <u>309,125</u> | <u>250</u> | <u>309,375</u> |
| Expenditures | | | |
| General Government | | | |
| Township Board | 5,296 | | 5,296 |
| Supervisor | 7,600 | | 7,600 |
| Board of Review | 900 | | 900 |
| Township Clerk | 14,581 | | 14,581 |
| Treasurer | 13,821 | | 13,821 |
| Assessor | 16,162 | | 16,162 |
| Township Hall | 3,458 | | 3,458 |
| Cemetery | 19,764 | | 19,764 |
| Public Safety | | | |
| Fire Authority Appropriation | 29,605 | | 29,605 |
| Public Works | | | |
| Drain at Large | 4,426 | | 4,426 |
| Roads | 62,967 | | 62,967 |
| Health and Welfare | | | |
| Ambulance | 3,159 | | 3,159 |
| Recreation and Culture | | | |
| Park | 222 | | 222 |
| Recreation Program | 10,000 | | 10,000 |
| Other Functions | | | |
| Insurance & Bonds | 12,372 | | 12,372 |
| Total Expenditures | <u>204,331</u> | <u>-</u> | <u>204,331</u> |
| Excess (deficiency) of revenue over expenditures | <u>104,794</u> | <u>250</u> | <u>105,044</u> |
| Other Financing Sources (uses) | | | |
| Transfer In (Out) | (100,000) | 100,000 | - |
| Excess (deficiency) of revenue and Other Sources over expenditures and Other Uses | 4,794 | 100,250 | 105,044 |
| Fund Balance-April 1, 2005 | 913,488 | 52,613 | 966,101 |
| Fund Balance-March 31, 2006 | <u>\$ 918,282</u> | <u>\$ 152,863</u> | <u>\$ 966,101</u> |

Amounts reported for governmental activities in the statement of activities are not different because
both statements are prepared on the modified cash basis of accounting

The Notes to Financial Statements are an integral part of this statement.

**Carmel Township
Statement of Net Assets
Modified Cash Basis-Fiduciary Fund
March 31, 2006**

Exhibit 4

Tax Collection Fund

Assets

| | |
|-----------------|------------------|
| Cash | \$ 4,070 |
| Due From County | <u>78,190</u> |
| Total assets | <u>\$ 82,260</u> |

Liabilities

| | |
|-------------------------------------|------------------|
| Undistributed (Overdistributed) Tax | \$ (232) |
| Undistributed Personal Property Tax | 263 |
| Due To General Fund-Tax | 59,411 |
| Due to General Fund-Other | 2,172 |
| Due to General Fund-Admin Fee | <u>20,646</u> |
| Total Liabilities | <u>\$ 82,260</u> |

The Notes to Financial Statements are an Integral Part of this Statement.

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1 D, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

1A. Financial Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

Carmel Township is located in Eaton County Michigan. The Township provides services to its residents in many areas including fire protection, EMS services, community enrichment and development, and human services. The Township is a general law township governed by a five-member board elected by the citizens of the Township. The township board consists of the supervisor, clerk, treasurer and two trustees.

The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Based on the criteria established by the Governmental Accounting Standards Board (GASB), there are no component units that should be included in the financial statements of the Township.

1B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support. Carmel Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

1C. Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accounts of the Township are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1C. Fund Financial Statements (continued)

The financial activities of the Township are recorded in separate funds categorized as follows:

Governmental Funds

General Fund-This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State aid, and charges for services to provide for the administration and operation of general township departments, boards and commissions. The fund includes the general operating expenditures of the Township.

Special Revenue Fund- This fund (Building Fund) is used to account for specific revenue derived from General Fund appropriations which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Fiduciary Funds

Agency Fund- The Tax Collection Fund accounts for assets held by the Township as an agent for individuals, private organizations, other governmental units and/or funds.

1D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of Accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as defined below.

Fund Financial Statements-All governmental funds utilize a "current financial resources" measurement focus as applied to the modified cash basis of accounting.

Basis of Accounting

Governmental fund financial statements are reported using the modified cash basis of accounting. Only cash basis assets and liabilities are included on their balance sheets and only receipt and disbursement of cash are included in the operating statements. Revenue is recognized as soon as it is received in cash. All revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when paid in cash, with the exception of payroll liabilities.

1E. Property Taxes

The Township property tax is levied and collectible on December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxes are returned delinquent to the County Treasurer on March 1. The Township's policy is to recognize tax revenues in the current year when they have been collected in the Tax Collection Fund. Delinquent tax is recognized when received in cash from the County.

The 2005 Taxable Value of Carmel Township amounted to \$73,328,300, on which ad valorem taxes of .8557 mill was levied for Township operating purposes.

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1F. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.”

Capital Assets—Capital asset information is not included in the March 31, 2006 financial statements

Use of Estimates—The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Township requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Budgets are adopted for the General Fund and Building Fund. All appropriations lapse at fiscal year end. The General Fund budget document presents information by line item within revenue source and expenditure departments.

Budget Violations—During the fiscal year ended March 31, 2006, the Township incurred expenditures in the general fund that exceeded the amount budgeted as follows:

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------|----------------------------|---------------------------|---------------|---|
| General Government | | | | |
| Assessor | | | | |
| Contractor | 12,000.00 | 12,335.73 | 15,457.23 | (3,121.50) |

NOTE 3—CASH AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes local units to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of the Township are at two banks in the name of the Township. The Township has not adopted an investment policy as required by Michigan Compiled Laws (MCL), Section 129.95. The Township's deposits are in accordance with statutory authority.

CARMEL TOWNSHIP-EATON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

NOTE 3—CASH AND INVESTMENTS (continued)

Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Township's cash deposits, including \$4,070 in the fiduciary fund, is as follows:

| <u>Deposits</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-----------------|----------------------------|-------------------------|
| Insured | \$200,000 | \$ 200,000 |
| Uninsured | 795,528 | 801,104 |
| Total Deposits | <u>\$995,528</u> | <u>\$1,001,104</u> |

NOTE F—RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township is insured with the Michigan Municipal Liability and Property Pool. Workmen's compensation coverage is acquired from the Accident Fund of Michigan.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Township pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member payments determined necessary by the Pool Board.

During fiscal year 2005-2006 and the previous two years, there were no settlements which exceeded the respective insurance coverage.

NOTE G—CONTINGENT LIABILITIES

The Township, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Township estimates that the potential claims against the Township, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Township.

Carmel Township
General Fund
Budgetary Comparison Schedule
Modified Cash Basis
For the Year Ended March 31, 2006

Exhibit 5
1 of 3

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|-------------------|------------|--|
| Budgetary Fund Balance, April 1, 2005 | \$ 815,252 | \$ 815,252 | \$ 913,488 | \$ 98,236 |
| Reources (Inflows) | | | | |
| Taxes | | | | |
| Property Tax | 54,000 | 54,000 | 59,525 | 5,525 |
| Delinquent Property Tax | 3,500 | 3,500 | 4,554 | 1,054 |
| Administration Fee | 22,415 | 22,415 | 20,646 | (1,769) |
| State Grants | | | | |
| State Revenue Sharing | 178,227 | 178,227 | 177,356 | (871) |
| Metro Agreement | 2,500 | 2,500 | 2,622 | 122 |
| Licenses and Permits | | | | |
| Dog Licenses | 50 | 50 | 46 | (4) |
| Charges for Services | | | | |
| Franchise Fee | 4,600 | 4,600 | 4,641 | 41 |
| Fire Runs | 1,000 | 1,000 | 9,000 | 8,000 |
| Grave Openings | 3,750 | 3,750 | 1,500 | (2,250) |
| Sales of Cemetery Lots | 2,500 | 2,500 | 1,850 | (650) |
| Marker foundations | | | 1,725 | 1,725 |
| Interest & Rents | | | | |
| Interest-General Fund | 15,725 | 15,725 | 25,661 | 9,936 |
| Amounts Available for Appropriation | 1,103,519 | 1,103,519 | 1,222,613 | 119,094 |
| Charges to Appropriations (Outflows) | | | | |
| General Government | | | | |
| Township Board | | | | |
| Salaries & Wages | 3,000 | 3,000 | 2,730 | 270 |
| Travel | 200 | 200 | | 200 |
| Conferences | 600 | 600 | | 600 |
| Printing & Publishing | 2,000 | 2,000 | 1,126 | 874 |
| Dues | 1,300 | 1,418 | 1,418 | - |
| Bank Fee | | | | |
| Legal Fee | 15,000 | 15,000 | | 15,000 |
| Supervisor | | | | |
| Wages | 7,600 | 7,600 | 7,600 | - |
| Travel | 100 | 100 | | 100 |
| Conferences | 300 | 300 | | 300 |
| Township Clerk | | | | |
| Salaries & Wages | 13,200 | 13,200 | 13,200 | - |
| Supplies | 300 | 300 | 138 | 162 |
| Conferences | 300 | 300 | 204 | 96 |
| Travel | 100 | 100 | | 100 |
| QVF Services | | 389 | 389 | - |
| Bookkeeping | 2,000 | 2,000 | 650 | 1,350 |
| Audit | 2,000 | 2,000 | | 2,000 |

Carmel Township
General Fund
Budgetary Comparison Schedule
Modified Cash Basis
For the Year Ended March 31, 2006

Exhibit 5
2 of 3

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------|-------------------|--------|--|
| Board of Review | | | | |
| Wages | 675 | 900 | 900 | - |
| Treasurer | | | | |
| Wages | 12,500 | 12,500 | 12,500 | - |
| Deputy | 700 | 700 | 403 | 297 |
| Supplies | 500 | 554 | 554 | - |
| Bank Charges | 25 | 720 | 385 | 335 |
| Conferences | 300 | 300 | | 300 |
| Travel | 100 | 100 | | 100 |
| Petty Cash | 50 | 50 | | 50 |
| Assessor | | | | |
| Supplies | 700 | 705 | 705 | - |
| Contractor | 12,000 | 12,336 | 15,457 | (3,122) |
| Master Plan | 5,000 | 5,000 | | 5,000 |
| Elections | | | | |
| Office Expense | 2,500 | 2,500 | | 2,500 |
| Capital Outlay | 1,200 | 1,500 | | 1,500 |
| Township Hall | | | | |
| Postage | 1,500 | 2,070 | 1,590 | 480 |
| Office Supplies | 500 | 500 | | 500 |
| Snowplowing | 150 | 150 | 55 | 95 |
| Telephone | 300 | 350 | 308 | 42 |
| Electric | 300 | 334 | 298 | 37 |
| Fuel | 2,000 | 2,000 | 1,180 | 820 |
| Building Repair | 5,000 | 5,000 | 26 | 4,974 |
| Cemetery | | | | |
| Wages | 6,000 | 6,000 | 5,841 | 159 |
| Operating Expense | 1,000 | 1,000 | 790 | 210 |
| Grave Opening | 2,750 | 2,750 | 2,025 | 725 |
| Foundation | 1,000 | 1,725 | 1,725 | - |
| Capital Outlay | 7,700 | 15,883 | 9,383 | 6,500 |
| Public Safety | | | | |
| Fire Authority Appropriation | | | | |
| Contract | 35,000 | 35,000 | 29,605 | 5,395 |
| Public Safety | | | | |
| Drains | | | | |
| Drain at Large | 6,000 | 6,000 | 4,426 | 1,574 |
| Roads | | | | |
| Dust Control | 25,000 | 25,000 | 24,750 | 250 |
| Regraveling | 45,000 | 45,000 | 38,217 | 6,783 |
| Health and Welfare | | | | |
| Ambulance | | | | |
| Ambulance | 3,500 | 3,500 | 3,159 | 341 |

Carmel Township
General Fund
Budgetary Comparison Schedule
Modified Cash Basis
For the Year Ended March 31, 2006

Exhibit 5
3 of 3

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|-------------------|-------------------|--|
| Recreation and Culture | | | | |
| Park | | | | |
| Wages | 250 | 250 | 216 | 34 |
| Supplies | 75 | 75 | 6 | 69 |
| Recreation Program | | | | |
| School Recreation Appropriation | 10,000 | 10,000 | 10,000 | - |
| Other Functions | | | | |
| Insurance & Bonds | | | | |
| Insurance and Bonds | | 150 | 150 | - |
| Building and Property Insurance | 9,500 | 8,795 | 8,220 | 575 |
| Workers Compensation | | 555 | 555 | - |
| Employers Share Social Security | 3,600 | 3,600 | 3,447 | 153 |
| Capital Outlay | | | | |
| Architectural | 10,000 | 10,000 | | 10,000 |
| Transfers Out | | | | |
| Transfers Out | 175,000 | 175,000 | 100,000 | 75,000 |
| Total Charges to Appropriations | 435,375 | 447,060 | 304,331 | 142,728 |
| Budgetary Fund Balance—March 31, 2006 | <u>\$ 668,144</u> | <u>\$ 656,459</u> | <u>\$ 918,282</u> | <u>\$ 261,823</u> |

Carmel Township
 Building Fund
 Budgetary Comparison Schedule
 For the Year Ended March 31, 2006

Exhibit 6

| | Original Budget | Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|-------------------|------------|--|
| Budgetary Fund Balance, April 1, 2005 | \$ 52,326 | \$ 52,326 | \$ 52,613 | \$ 287 |
| Reources (Inflows) | | | | |
| Interest & Rents | | | | |
| Interest | 3,000 | 3,000 | 250 | (2,750) |
| Transfers In | | | | |
| Transfers In | 100,000 | 100,000 | 100,000 | - |
| Amounts Available for Appropriation | 155,326 | 155,326 | 152,863 | (2,463) |
| Charges to Appropriations (Outflows) | | | | |
| Total Charges to Appropriations | - | - | - | - |
| Budgetary Fund Balance—March 31, 2006 | \$ 155,326 | \$ 155,326 | \$ 152,863 | \$ (2,463) |

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June 8, 2006

Carmel Township Board
1959 W. Kalamo Hwy
Charlotte, Michigan

Dear Board Members:

I was engaged to audit the financial statements of Carmel Township for the year ended March 31, 2006, and have issued my report thereon dated June 8, 2006.

In planning and performing my audit of the financial statements of Carmel Township for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. However, I noted certain matters involving the internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Township's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable conditions noted are: 1) Carmel Township's control procedures over receipts and banking were not operational during the fiscal year ended March 31, 2006; 2) The Treasurer's cash ledgers are not maintained; and 3) None of the bank accounts were reconciled after August 2005. These conditions are more fully explained in the attached report of comments and recommendations.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of management and other regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard L Baldermann

MATERIAL INTERNAL CONTROL STRUCTURE WEAKNESSES

The following is a detailed description and recommendation of the reportable conditions that were considered to be material weaknesses involving the internal control structure.

Treasurer's Receipt and Deposit Procedures

I reviewed the collection and deposit activity of the Treasurer's Tax Collection Fund through April 30, 2006. In attempting to reconcile collections with deposits for January 2006, I encountered the following problems:

1. Eight day's collections in December were not deposited until mid January and were not made intact;
2. Very few of the daily collections in January were made intact;
3. Several day's collections were
 - combined with other day's collections; or
 - partly combined with other day's collections; or
 - combined with previous month's day's collections; or
 - only partly made; or
 - any combination of the above.

Further, the Treasurer's official receipts were: 1) written out of order; 2) untimely; 3) duplicated; 4) not written for each payee; 5) two payments reflected on one receipt several times; and 6) the receipts generally cannot be relied upon to meet the following financial statement assertions for receipts:

- 1) Completeness of receipt transactions;
- 2) Proper measurement of revenue; and
- 3) Proper classification, description, and disclosure of revenue.

I recommend the following:

- Numerically controlled (printer pre-numbered) official receipts with the name of the Township printed on the receipt must be issued for all revenues at the time payments are received.
- "Cash" or "check" as the method of payment must be indicated on the receipt.
- The receipt must identify the individual receiving payment.
- The receipt must identify the individual or organization making the payment.
- The receipt must allow for immediate revenue account classification in conformance with the Uniform Chart of Accounts.
- Checks must be restrictively endorsed at the point and time of collection.
- All deposits are to be made intact. Intact means that the deposit must include the checks and cash received for a specific numerical sequenced receipt group.
- Deposits must be made timely and reconciled to official receipts.
- Deposit tickets must list checks, by name or number and amount.
- Tax collections must be deposited in a separate bank account in the name of the treasurer.
- All bank accounts should have an ending date of the end of each month.
- Bank signature cards should be kept current and the authorized signers limited.

Treasurer's Tax Collection Cash Ledgers

The Treasurer's cash ledgers are not maintained. These records must be maintained in sufficient detail to determine if taxes collected for the various taxing units are distributed in the same amount. Accounting records are not maintained in sufficient detail to distinguish between:

- Summer collections and distributions
- Winter collections and distributions
- Delinquent personal property taxes
- Penalties on summer taxes
- Interest on summer taxes

MATERIAL INTERNAL CONTROL STRUCTURE WEAKNESSES (continued)

Treasurer's Tax Collection Cash Ledgers (continued)

I recommend that the Treasurer establish the following accounts to properly account for the tax collection and distribution:

Due to:

- County
- SET
- Dist Library
- Intermediate Schools
- Charlotte School
- Olivet School
- Carmel Twp--Tax
- Carmel Twp--Summer Admin Fee
- Carmel Twp--Winter Admin Fee
- Carmel Twp--Interest
- Overpayments
- Undistributed Personal Taxes

These accounts must be used for collections and distributions.

Bank Reconciliations

None of the bank accounts were reconciled after August 2005. The Treasurer did not perform this task and the clerk was unable to because of lack of information provided by the Treasurer.

Further, bank statements were difficult to locate and daily tax collection reports were either not printed or not maintained in an organized manner.

I recommend that the Treasurer and Clerk institute a procedure for reconciling all bank accounts each month prior to the Township Board meeting.

Township's Response

It appears that the above significant problems began with the onset of the former Treasurer's illness and continued until after his wife realized there was a problem and attempted to correct the situation in early February.

The Treasurer resigned in March and a new Treasurer was appointed at the subsequent meeting. Every effort is being made to comply with the recommendations made.

Carmel Township
Comments And Recommendations
March 31, 2006

OTHER REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in the internal control structure, my audit disclosed certain other reportable conditions which I wish to point out for consideration by the management of Carmel Township.

Voided Checks

In February 2006 three checks were voided but not adjusted in the accounting records.

I recommend that the records be adjusted for voided checks immediately.

NONCOMPLIANCE WITH STATE STATUTES

My examination revealed the following instances of noncompliance with State Statutes.

Budget

Budgets are adopted for the General Fund and Building Fund. The General Fund budget document presents information by line item within revenue source and expenditure departments.

During the fiscal year ended March 31, 2006, the Township incurred expenditures in the general fund that exceeded the amount budgeted as follows:

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------|----------------------------|---------------------------|---------------|---|
| General Government | | | | |
| Assessor | | | | |
| Contractor | 12,000.00 | 12,335.73 | 15,457.23 | (3,121.50) |

If the budget had been adopted at the department level, no activity would have exceeded the amount budgeted.

I recommend that the budget be adopted at the department level and that budget status be monitored at least quarterly.

Annual Salary Resolution

There was no specific action taken by the Township Board to establish compensation for the officials of the Township.

MCL 41.95(1) states that:

In a township that holds an annual meeting of the electors of the township as provided in section 8, the officers composing the township board are entitled to the salary as determined by resolution adopted by the township board at least 30 days prior to the annual meeting of the township electors. The resolution shall establish the effective date of the salary, which shall be during the next fiscal year. The electors at the subsequent annual meeting of the electors may alter the amount of salary fixed by the resolution. If the electors fail to act on the salary resolution, the officers are entitled to the salary set in the resolution.

I recommend appropriate action be taken to establish the compensation for the officers of the Township.

NONCOMPLIANCE WITH STATE STATUTES (continued)

Investment Policy

The Township was unable to locate an investment policy. Apparently the Township has not adopted an official investment policy.

MCL 129.95 states:

- (1) . . . a governing body, in consultation with the investment officer, shall adopt an investment policy that, at a minimum, includes all of the following:
 - (a) A statement of the purpose, scope, and objectives of the policy, including safety, diversification, liquidity, and return on investment.
 - (b) A delegation of authority to make investments.
 - (c) A list of authorized investment instruments. If the policy authorizes an investment in mutual funds, it shall indicate whether the authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share or also includes securities whose net asset value per share may fluctuate on a periodic basis.
 - (d) A statement concerning safekeeping, custody, and prudence.

I recommend that an investment policy be established in accordance with Public Act 196 of 1997.

Depository Resolution

The Township has not adopted a depository resolution as required by MCL 129.12 which states:

- (1) . . . the township board of a township . . . shall provide by resolution for the designation and deposit of public money, including tax money, coming into the possession of the . . . township treasurer . . . in 1 or more financial institutions in the proportion and manner as may be provided in the resolution.

I recommend that the designation of depositories be adopted and that it be done at least every four years after the election and installation of Township officers.

GASB 34 IMPLEMENTATION

Capital Assets

Carmel Township does not maintain capital asset information in the accounting records. The only listing of the assets is provided for insurance purposes.

The Governmental Accounting Standards Board's (GASB) Statement No. 34, Basic Financial Statements — and Management's Discussion and Analysis—for State and Local Governments, requires that governments have their capital assets recorded in the accounting records and to depreciate their exhaustible capital assets, including infrastructure. Depreciation is the systematic and rational allocation of the (estimated) historical cost of a capital asset, (or if donated, the fair value of a capital asset at the time of donation), over its estimated useful service life. Further, a capitalization policy that sets the capitalization threshold and the estimated useful life of the various classifications of capital assets must be established.

I recommend that the Township take a full inventory of the capital assets owned by the Township. Further, the Township should formally establish a dollar threshold for recognizing a purchase as a capital outlay and capitalizing the assets as well as the estimated useful life of the various classifications of capital assets.